

## Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 NEA-10 IO-10 ISO-00 FEA-01 /041 R

DRAFTED BY EB/OT/GCP:DTMORRISON:DI

APPROVED BY EB/OT/GCP:DJDUNFORD

NEA/IAI:EBIZIC

EUR/RPE:ECASEY

COMMERCE:BMARSH

STR:HHENTGES

TREASURY:AGAULT:JGORLIN

AGRICULTURE:JSTARKEY

EB/CBA/OSB:JNESVIG (SUBS)

----- 085388

R 062324Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY TEL AVIV

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, IS

SUBJ: ISRAEL AND GSP/DIAMONDS

REFS: (A) TEL AVIV 3390, (B) STATE 109012

(C) TEL AVIV 3483

1. EMBASSY'S REPORTING ON GSP DEVELOPMENTS (INCLUDING  
CONFIRMATION OF OUR INTERPRETATION OF GOI FLEXIBILITY  
IN REDUCING MFN TARIFFS WITHIN TERMS OF NEW EC-ISRAEL  
AGREEMENT) IS APPRECIATED.

2. WE ARE PUZZLED AT NEDIVI'S INSISTENCE THAT CONSUL-  
TATIONS BE CONSIDERED WITHIN CONTEXT OF JOINT COMMITTEE  
AND MTN. IT WAS AT GOI REQUEST PRIOR TO MAY 12-13  
JOINT COMMITTEE MEETING THAT WE AGREED TO TREAT GSP ISSUE  
APART FROM ISSUES TO BE DECIDED BY THAT COMMITTEE.  
CONSULTATIONS WILL BE COCHAIRERED BY CARL SCHMIDT (STATE)

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AND STEPHEN LANDE (STR).

3. PER GOI REFERENCE TO MTN, THERE IS NO INTENT ON U.S. PART IN CONTEXT OF GSP CONSULTATIONS TO NEGOTIATE TARIFF CUTS WHICH THE USG MIGHT MAKE IN COURSE OF MTN NEGOTIATIONS IN GENEVA (I.E., WE HAVE NO INTENTION OF

PAYING GOI FOR MEASURES NEEDED TO MEET GSP PROVISIONS OF THE TRADE ACT.) AS PREVIOUSLY INDICATED (REF B, PARA 4) IF GOI OFFERS IN MTN TO BIND AD HOC TARIFF REDUCTIONS UNDERTAKEN TO MEET GSP SECTION 502(B)3 PROVISIONS OF THE TRADE ACT, OFFERS WOULD BE TAKEN INTO CONSIDERATION IN U.S. ASSESSMENT OF RECIPROCITY.

4. WE ARE AWARE OF GOI CONCERN THAT ISRAEL MIGHT BE DENIED GSP BENEFITS FOR DIAMONDS UNDER THE U.S. COMPETITIVE NEED FORMULA (SECTION 504(C)) AND THEREBY FACE INCREASED COMPETITION FROM SMALLER SUPPLIERS OF DIAMONDS TO THE U.S. MARKET. IT IS NOT CLEAR FROM REFTEL, PARA 5, THAT EMBASSY HAS MADE CLEAR TO GOI THAT EXPORTS OF AN ELIGIBLE ITEM EXCEEDING DOLLAR CEILING (INITIALLY SET AT 25 MILLION DOLLARS) IN ONE YEAR (CALENDAR YEAR) TRIGGERS EXCLUSION FROM GSP FOR THAT TARIFF ITEM (FOR THAT COUNTRY) IN FOLLOWING CALENDAR YEAR UNTIL OR UNLESS COUNTRY'S ANNUAL EXPORT LEVEL FALLS BELOW THAT AMOUNT. EXCLUSION FROM GSP BENEFIT IS TOTAL FOR PRODUCT FOR THAT COUNTRY--NOT JUST FOR AMOUNT IN EXCESS OF 25 MILLION DOLLARS.

5. ALTHOUGH GSP COULD PROMOTE DIAMOND CUTTING IN COUNTRIES OF ORIGIN OF RAW DIAMONDS, GSP PROVISIONS ARE UNLIKELY TO AID ISRAEL'S MAJOR COMPETITORS (WHICH EITHER ARE CLASSIFIED AS DEVELOPED COUNTRIES INELIGIBLE FOR GSP OR, LIKE ISRAEL, ARE IMPORTERS OF RAW DIAMONDS). SECTION 503(B)2 RULES OF ORIGIN PROVISIONS REQUIRE THAT COST/VALUE OF MATERIALS PRODUCED IN BENEFICIARY COUNTRY PLUS DIRECT COSTS OF PROCESSING COMPRISE NOT LESS THAN 35 PERCENT OF APPRAISED VALUE. GIVEN THE LOW VALUE ADDED IN DIAMOND PROCESSING RELATIVE TO PRICE OF FINISHED DIAMONDS, WE DOUBT THAT ANY COUNTRY WHICH SIMPLY CUTS AND MARKETS DIAMONDS LIMITED OFFICIAL USE

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COULD MEET THESE RULES OF ORIGIN REQUIREMENTS.

6. IN CONVEYING ABOVE INFO TO GOI, WE WOULD LIKE EMBASSY TO CLARIFY MEANING OF "GATT-RECOGNIZED CHANGES" IN PARA 1 OF REFTEL A. KISSINGER

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## Message Attributes

**Automatic Decaptioning:** X  
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**Concepts:** DIAMONDS, TARIFFS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 06 JUN 1975  
**Decaption Date:** 01 JAN 1960  
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**Disposition Authority:** ElyME  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
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**Film Number:** D750199-0522  
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**TAGS:** ETRD, IS, GSP  
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